

# California Board of Accountancy

## President's Message



Wendy S. Perez, CPA  
*President*

*A*s we enter the second half of 2003, we can say without reservation that this has been an extremely busy and productive period for the California Board of Accountancy. The Board continues to proudly assume a substantial and visible role in shaping the significant changes that are developing in the practice of public accounting.

With so many accounting reform measures being passed last year, the Board has been busy studying and drafting the numerous implementing regulations. This is a significant effort and will continue throughout the year. In addition, the Board has proposed numerous statutory and regulatory changes to implement the new computer-based testing for the CPA examination. The last paper and pencil exam will be given this year, and the first computer-based exam will be given in early 2004. The transition planning has been underway for some time for this historic event, and the Board is actively addressing a myriad of issues in an effort to make the transition to a computerized CPA exam as seamless

as possible. When fully implemented, candidates will be able to sit for the exam at approximately 22 different locations, at testing centers in Northern, Central, and Southern California. As we have done during the entire process, we will continue to communicate fully so that complete information, including the procedures for those candidates who have existing conditional credit, will be available to all interested parties.

With the numerous legislative changes and the efforts focused on the development of the regulations, we are greatly aware of the changing nature of the regulatory environment. We continue to be engaged in a broad outreach effort to keep you effectively informed of all of the proposed, pending, and newly-effective requirements by way of special mailings, publication in the *Update*, and constant new postings to our Web site. In addition, consistent with our commitment to consumer protection, we have increased our endeavors to communicate in as many ways as possible with the consumers of accountancy services. To that end, the Board has filled its Web page with informative and user-friendly documents and features, including several interactive forms.

One significant change of note took effect January 1, 2003, when California became the first state in the nation to have a public-member majority on a board of accountancy. When all vacancies are filled, it will be comprised of eight public members and seven licensees. I want to welcome our new Board members and thank them for their tremendous

*(Please see President's Message,  
continued on page 2)*

Update

## *Mission Statement*

***The mission of the California Board of Accountancy is to protect the public welfare by ensuring that only qualified persons are licensed and that appropriate standards of competency and practice are established and enforced.***

## *Vision Statement*

***It is the vision of the California Board of Accountancy to become the premier regulatory agency that operates with maximum efficiency, fosters continuous quality improvement, and provides exemplary consumer protection while recognizing the changing consumer demographics and nature of services provided by licensed professionals.***

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## *President's Message (continued from page 1)*

contributions to date. I also want to commend the entire Board for working together so tirelessly toward the common goal of better serving the public, capital markets, and the accounting profession.

On a personal note, I would like to take this opportunity to thank Navid Sharafatian for his valuable service to this Board over the last few years. It was my particular privilege to serve as his Vice President last year as he led us through one of the most tumultuous years in the history of the accounting industry. Throughout his term he served with the utmost integrity and dignity, and the entire Board will truly miss his sage wisdom as he moves on to bigger and better things.

Finally, I look forward to the tasks before us at this time. We face many current challenges, but I am confident that with the hard work of this Board, supported by the able efforts of the Board's dedicated staff, our achievements will be numerous.

*Wendy S. Perez*

Wendy S. Perez  
President

### **Policy of Nondiscrimination on the Basis of Disability and Equal Employment Opportunity**

The California Board of Accountancy does not discriminate on the basis of disability in employment or in the admission and access to its programs and activities.

An Americans with Disabilities Act (ADA) coordinator has been designated to coordinate and carry out this agency's compliance with the nondiscrimination requirements of Title II of the ADA. Information concerning the provisions of the ADA, and the rights provided thereunder, is available from:

ADA Coordinator  
California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, California 95815-3832

## Issues of Interest *to the Consumer and the Practitioner*

# News to You

### Proposed New Regulations

New regulations for Board licensees are in the process of being promulgated. At its meeting on March 22, 2003, the Board voted to schedule the following regulation changes for public hearing:

- Amendments to Sections 12 and 12.5 of the Board's Regulations related to the experience required for licensure. Amendments are designed to clarify the requirements for the supervision and verification of a licensure applicant's experience.
- Amendments to Sections 87, 87.1, and 90 of the Board's Regulations to require that licensees who do accounting and auditing, including government audits, to complete eight hours of continuing education in fraud detection and reporting as part of the 80 hours of continuing education required for license renewal. This requirement would apply to license renewals after July 1, 2004.

A regulation hearing is scheduled on July 25, 2003, in San Francisco. Please see the Regulation Notice in this publication for more information, including the text of the proposed revisions. Please note that this language may be modified before the revisions become final.

### Five New Board Members

Four new public members and one professional member have been appointed to the California Board of Accountancy.

In April 2003, Governor Gray Davis announced the appointments of Sally A. Flowers and David C. Walton to the Board.

Ms. Flowers, of Artesia, has been a Council Member for the City of Artesia since March 1997, served as mayor of Artesia in 2000, and since 1985 she has served as Office Manager and Assistant Controller for GNS Development Corporation in Norwalk. A member of the Latino Caucus Board,

League of California Cities, Ms. Flowers earned a bachelor of science degree from Pepperdine University. Her term expires January 2007.

Mr. Walton, of San Diego, is a Forensic Accountant/Attorney for Milberg Weiss Bershad Hynes & Lerach LLP, a position he has held since 1994. He is a Certified Public Accountant and a Certified Fraud Examiner. Mr. Walton earned a bachelor of arts degree from the University of Utah, and a *juris doctorate* degree from the University of Southern California. He takes the vacant slot previously held by Walter Finch, and his term expires November 2003.

Governor Gray Davis appointed Ronald Blanc in February 2003. Mr. Blanc is an attorney practicing with the law firm of Arnold & Porter since July 2000. He specializes in tax issues concerning the entertainment industry, closely-held businesses, and international transactions. From March 1980 to June 2000, he was a founding partner at Blanc Williams Johnston & Kronstadt in Los Angeles. Mr. Blanc earned a bachelor of science degree from the University of Colorado, and a *juris doctorate* degree from New York University School of Law. His term expires in November 2006.

The Senate Rules Committee appointed Renata Sos in January 2003. Ms. Sos is an attorney who recently retired from litigation practice at a large San Francisco law firm. Ms. Sos earned a bachelor of science degree from Princeton University, and a *juris doctorate* degree from the University of Chicago. Her term expires in January 2007.

In January 2003, Herb J. Wesson, Jr., Speaker of the Assembly, appointed Clifton Johnson. Mr. Johnson has been Vice President/Manager of Union Bank of California in Torrance since 1981. He earned a bachelor of arts degree from the University of North Texas, and a MBA from Pepperdine University. Mr. Johnson's term expires in January 2007.

## Offering In-House CE

For active license renewal, licensees must complete 80 hours of continuing education (CE) during each renewal cycle. By choice, some licensees attend live seminar courses. Others log onto the Internet to complete interactive self-study courses, or read paper-text non-interactive self-study courses. Further, some licensees are employed by a firm or agency that provides in-house CE that meets the requirements of Sections 87-89 of the Board of Accountancy Regulations. Many of these employers also track CE for their employees and provide a print-out for reporting CE for license renewal, an advantage for those licensed in multiple states.

In-house CE may be developed and presented by the firm's training section, or the firm may contract with CE providers to present specific courses. Whichever method is selected, the following elements must be present to qualify for live presentation (hour-for-hour) CE credit. The session must:

- Be conducted by a qualified instructor or discussion leader.

- Have and retain written educational goals, specific learning objectives, and a course syllabus for six years.
- Monitor, record, and retain attendance for six years.
- Be a minimum of one 50-minute class hour in length.
- Issue certificates of completion upon successful completion, and retain the documentation for six years.

If the course is conducted by a CE provider, the provider is required to maintain the records, which must be available upon request of the Board. If the course is conducted by a firm, an individual should be designated to maintain the records.

The advantage in offering CE on-site is that an employer can control and monitor course quality and presentation, as well as customize course content to meet on-going or changing firm needs. This oversight ensures that the firm's licensees receive current, accurate, and consistent information necessary to maintain or enhance competency. ♦

## May 2003 Uniform CPA Examination

The Uniform CPA Examination was held May 7 and 8, 2003, at three California sites: Pleasanton, Pomona, and Sacramento.

A total of 8,875 candidates were scheduled to sit. Interestingly, approximately 93 percent of the exam candidates submitted online applications via the Board's Web site, signaling that the paper application is somewhat obsolete, as far as candidates are concerned.

Of the total number of candidates scheduled, 6,837 were from California, 512 were from states outside of California, and 1,514 were foreign applicants.

In addition, 31 courtesy candidates from other states were scheduled to be proctored in California, and 93 California candidates were scheduled to sit in other states.

After a 21% no-show rate, 7,012 candidates actually sat at the three California locations.

The national release date of grades from the May 2003 Examination is August 4, 2003.

The next Uniform CPA Examination will be held in California on November 5-6, 2003, and this will be the last paper-and-pencil examination. ♦

# Technical versus Nontechnical Continuing Education

Licensees who renew their license as active are required to complete 80 hours of continuing education within the two years preceding the license expiration date.

Section 88 of the Accountancy Regulations requires licensees to complete a minimum of 50 percent of the CE in technical subject areas as follows:

- Accounting.
- Auditing.
- Computer and Information Technology (except word processing).
- Consulting.
- Financial Planning.
- Professional Conduct & Ethics course.
- Specialized industry or government practices that focus primarily upon the maintenance and/or enhancement of the public accounting skills and knowledge needed to competently practice public accounting.
- Taxation.

The remaining 50 percent of the CE can be completed in the above technical subject areas, or in the following nontechnical subject areas:

- Communication skills.
- Word processing.
- Sales.
- Marketing.
- Motivational techniques.
- Negotiation skills.
- Office management.
- Practice management.
- Personnel management.

The following subjects are not acceptable for either technical or nontechnical CE for license renewal:

- Foreign languages and cultures.
- Personal growth, self-realization, spirituality.
- Personal health and/or fitness, sports and recreation.
- Other subjects that do not contribute directly to the licensee's professional competence.

It is the licensee's responsibility to select acceptable CE for license renewal, consisting of a formal program of learning that contributes directly to the professional competence of the licensee.

If you have questions regarding CE, you may contact the Board's renewal staff at (916) 263-3934 or by e-mail to [renewalinfo@cba.ca.gov](mailto:renewalinfo@cba.ca.gov). ♦



## Obtaining CE Credit for Videotape Viewing

In reviewing licensees' continuing education upon license renewal, often there is confusion regarding the acceptability of certain types of programs and formats as qualifying continuing education. The Board recognizes that as technology advances, an expanding variety of formats and learning methodologies are available to licensees. Yet, under current regulations, the California Board of Accountancy does not preapprove or register CE sponsors or courses, other than the professional conduct and ethics course. Licensees must assume responsibility for understanding the elements that must be present for any program to qualify as CE. This article is an attempt to clarify a commonly misunderstood area – the viewing of videotape for CE credit, and to explain the current continuing education policy.

A general review of the current CE requirements under the Accountancy Act and Regulations should prove helpful. The overriding consideration in determining whether a specific program qualifies as CE is that it be a formal educational program. This means it is a process that is designed and intended primarily as an educational activity, and complies with the requirements of Sections 87 through 89 of the Board of Accountancy's Regulations.

The fundamental purpose of CE is to maintain and/or increase a licensee's professional competence. While accounting professionals participate in a wide variety of learning activities, CE credit is allowed only for formal programs of learning. Although no credit is allowed for informal learning activities, these learning activities are very important in attaining and maintaining professional competence. Accounting professionals have a responsibility to comply with all applicable regulations. To qualify for CE credit, consideration must be given to program development, presentation, measurement, and reporting.

The key elements which must be present for a course to qualify for hour-for-hour live presentation are:

- The session must be conducted by a qualified instructor or discussion leader.

- Attendance must be required.
- The session must be at least one class hour (50 minutes) in length – only class hours or the equivalent (not preparation hours) qualify.
- A record of attendance must be kept for at least six years.
- A written outline of the material must be retained.

Formal correspondence or other individual study programs, including the viewing of a video, may qualify as acceptable CE, whether viewed alone or in a group. For the course to qualify, satisfactory evidence of completion must be obtained. The elements necessary for the course to qualify for noninteractive self-study are:

- Completion and grading by the provider/sponsor of an exam at the conclusion.
- Maintaining a record of those completing the session for six years, and the record must include an outline or a description of the course content.

To help clarify current CE policies, consider the following three scenarios involving the viewing of a videotape. The amount of CE and the reason why credit is or is not given is explained in each case. In all cases, assume that those who attend sign an attendance sheet, which will be maintained by the CE provider for six years.

In **Scenario One**, a group of licensees watches a two-hour videotape on an acceptable CE subject matter. None of the participants has significant experience in this area. One of the participants, "Pat," volunteers to facilitate the presentation. Sixty minutes of discussion follow. No one completes the provider's test, but all the participants feel they have benefited greatly and have learned from the video and from each other.

**CE Credit:** None.

**Reason:** To qualify as a live presentation receiving hour-for-hour credit, a qualified discussion leader must be present, and an outline or description of the topics must exist. This scenario had neither. While it was a valuable experience, "feeling" that one learned something does not qualify as acceptable CE. If an instructor uses video as a teaching tool in a presentation that otherwise

*(Please see CE Credit for Videotape Viewing, continued on page 7)*

meets all CE requirements, the program would qualify. Or, if the participants complete and pass an exam returned to the provider, they have met the requirements for noninteractive self-study. Alternatively, the participants can provide other evidence the work has actually been completed (Section 88).

In **Scenario Two**, assume the same group watches the same video after spending about an hour reading the study material which accompanied the video. The participants discuss the video after watching it. They complete the provider's exam and return it for grading. The test is comprehensive and takes about an hour to complete.

**CE Credit:** Two hours self-study would be granted assuming that each person passes the exam and receives a certificate of completion. Please note it is necessary for the licensee to maintain the Certificate of Completion for four years after license renewal.

**Reason:** In this scenario, passing the exam qualifies the program as acceptable self-study. Noninteractive self-study qualifies for 50 percent credit. Credit for this and all noninteractive self-study is limited to the lesser of the time recommended by the course provider – or one-half the actual completion time, including preparation time. Since the participants' time involved was four hours, they have each earned two hours credit.

In **Scenario Three**, assume the same group watches the same video. Pat has studied the literature that accompanied the video and has completed additional advanced research on the topic. She leads the discussion from an outline either provided by the sponsor or which she prepared herself after prescreening the video and completing the research. Those attending have read the study material, which took about an hour. Pat answers questions, and she is able to clarify several points while making sure the outlined objectives are covered. The discussion lasts about an hour. No one takes the exam.

**CE Credit:** Three hours of CE would be granted. Pat can claim up to six additional hours, depending on the length of actual time spent in preparation.

**Reason:** In this scenario, Pat spent sufficient time preparing to lead the group; therefore, she qualifies as a discussion leader. Pat prepared an outline, which will be filed with the attendance record for six years. The requirements for live presentation have been met. The video was a teaching tool used by the instructor, Pat. No test is required for live group presentations, and participants receive hour-for-hour credit, not including their preparation time. Pat will receive the same three-hour credit as the participants for leading class, but she also can claim the time spent preparing, if this time does not exceed two hours for each class hour. Please note that credit for teaching cannot exceed 40 of the 80-hour CE requirement.

Viewing a video does not necessarily comply with the essential elements for qualifying CE. However, such a program can qualify, if the necessary criteria are met. It is the responsibility of the licensee to understand the requirements, and to ensure they are being met.

If you have questions regarding CE, you may contact the Board's renewal staff at (916) 263-3934 or by e-mail at [renewalinfo@cba.ca.gov](mailto:renewalinfo@cba.ca.gov). ❖

## Pathways to Licensure - 18 Months Later

In January 2002, the Board implemented statutory changes allowing applicants the option to obtain a Certified Public Accountant license in California without satisfying an audit experience requirement. The revised licensure requirements created two new pathways to licensure: Pathway 1 and Pathway 2. Audit experience is not required under either pathway. However, if the licensee wishes to sign reports on attest services, a minimum of 500 hours of audit experience is required.

**Pathway 0**, licensure requirements prior to 2002, required all applicants to satisfy an audit experience requirement. Depending upon the applicant's education, two to four years of experience was required for licensure.

**Pathway 1** licensure requirements are similar to the prior licensure requirements except that a bachelor's degree is the minimum educational requirement. Two years of general experience are required for licensure.

**Pathway 2** licensure requirements are consistent with the Uniform Accountancy Act (UAA). This is the pathway of choice for those candidates who are interested in the opportunity to practice in other states. One hundred and fifty semester hours of education (including a bachelor's degree) and one year of general experience are required for licensure.

The following statistics summarize CPA licenses issued by the Board in 2001 and 2002. ❖

CPA Licenses Issued		
	2002	2001
Pathway 0 (requires audit)	426	2,104
Pathway 1 (audit optional)		
- Audit	1,078	N/A
- General	732	
Pathway 2 (audit optional)		
- Audit	175	N/A
- General	317	
<b>Total Issued</b>	<b>2,728</b>	<b>2,104</b>



## The Importance of the Form G

On a related note to the new licensing requirements, under Pathway 1 or Pathway 2, general experience may include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills.

Qualifying general experience in public accounting must be obtained under the supervision of an individual with a valid license to practice in any state or country; however, private industry or government accounting experience must be obtained under the supervision of an individual with a valid license to practice in any U.S. state or territory. All experience must be performed in accordance with applicable professional standards.

Once the education, examination, and experience requirements have been met, an applicant may request the employer to complete a General Experience form (Form G) and submit it directly to the Board.

Under Board regulations, the employer is obligated to prepare and submit the Form G providing verification of the applicant's dates of employment. Remember, failure to submit the Form G delays the applicant's ability to obtain a license, and as such could conceivably result in the employer being referred to the Board's Enforcement Division for further action. ❖

## CBA Reaches Out to Consumers

It's not often that Board staff has the opportunity to meet face to face with consumers to let them know what the Board does for them.

On February 3, 2003, during National Consumer Protection Week, CBA took part in the Department of Consumer Affairs (DCA) 2003 Consumer Fair. Partnering with DCA and the California Department of Corporations "Seniors Against Investment Fraud" program, staff visited with consumers, giving them an informational booklet about the Board. Because we had a World Wide Web connection at the fair, we were able to show them first-hand how to use the License Lookup feature on the Internet.



*Photograph by Richard Andres*

*The Board's Communications Manager, Mary Gale, and Investigative CPA, Stephen DeRose, speak with consumers about services offered by the Board.*

Some of the booth's visitors also asked to be given a tour of the Board's Web site, while others wanted information about how to file a complaint, or how to select a CPA or a PA. We explained this information is posted on our Web site, and it also was included in the booklet they took home with them.

As part of its on-going Outreach Program, the Board will be participating in more of these types of events as they occur. ❖



## What's New at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba)?

### How New is New?

Licensees often wonder where and how often they should check for new information on our Web site. As a general practice, we recommend browsing our Home, What's New, and Table of Contents pages weekly, as we use these pages to announce and highlight updates. Additionally, our Board Calendar page is updated as information becomes available, often several times a week.

Another way to determine how new a page is by checking the bottom of the page. There you will find the statement: "Page Last Updated: (date)." Although the update could be anything from a minor maintenance change to adding new information, it does display for you the date the page was last changed.

Our Web site contains hundreds of pages of information. Updates and maintenance tasks are performed nearly every day on a number of pages. We receive thousands of hits to our site daily, and our Web team strives to make sure the information you see there is the most current and pertinent available.

### Forms Currently Available at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba)

The California Board of Accountancy provides many forms through its Web site on its "Obtaining Forms & Publications" page. To provide the best possible service to our Web visitors, we have made these forms available in several formats.

The formats are based on the number of requests we receive for that form, the information required to be filled in, and how the Board handles the information once submitted.

These forms are available in one or more of the following formats:

**Printable Format** - All forms available on our Web site can be printed from your computer, then filled in and submitted to the Board. These forms are in the PDF format, which requires software called Adobe Reader®. Adobe Reader® is free software, available for download from our site.

**Enhanced Format** - Enhanced forms can be filled in online by moving between fields by pressing the "TAB" key. When done, you can print it using your regular print menu on your computer, sign (if required), and submit it to the Board via mail or fax. If you fill in the form and wish to clear the information to start over or begin on a new form, just press the "RESET" button normally at the bottom of these forms. Enhanced forms are in the PDF format, which requires software called Adobe Reader®, free software available for download from our Web site. Please note, however, this format allows you to print the form once it is filled in, but you cannot save a copy to your computer.

**Online Submission** - This interactive format allows the user to fill in the form, then submit it online directly to the Board by pressing the "SUBMIT" button at the bottom of the form. This format allows the Board to put the information directly into a database, making it more efficient for staff to handle the data. ♦

## Forms Currently Available at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba)

Form Name	Formats Available on the Web site
Of Importance to the CONSUMER	
Consumer Complaint Form - About a Licensee	Enhanced and Online Submission
Citizens Complaint Form - About the Board	Printable and Online Submission
Miscellaneous Forms	
Reportable Events - Court Clerks	Enhanced
Reportable Events - Insurer/Licensed Surplus Brokers	Enhanced
Of Importance to the LICENSEE	
Address Change Form - Licensee	Enhanced
Attest Experience	Enhanced
CE Extension/Exemption Request	Printable
CE Report - for Renewal	Printable
Certification Request Form	Enhanced
Name Change/Certificate Replacement Request	Enhanced
Reportable Events - Licensee	Enhanced
Status Conversion Form	Printable
Of Importance to the CPA EXAMINATION APPLICANT	
Accommodation of Disabilities Request	Printable
Address/Name Change Form - Exam Candidate	Enhanced
Application Checklist	Printable
Certification Request Form	Enhanced
Examination Application - Online	Online Submission
Examination Application - Hardcopy Request	Enhanced
Medical Consideration Request	Printable
Out-of-State Form	Enhanced
Proctor Request Form	Enhanced
Site Change Request	Enhanced
Of Importance to the CPA LICENSING APPLICANT	
Application Check Sheet	Printable
Application Form & Instructions	Enhanced
Certification of Grades and/or Licensure Form	Enhanced
Certification Request Form	Enhanced
CE Reporting Form - for Initial Licensure	Printable
Criminal Conviction Disclosure Form	Printable
Fingerprinting Packet Request	Enhanced
Form E - Certificate of Experience	Enhanced
Form G - General Experience, Public Accounting	Enhanced
Form G - General Experience, Private/Government	Enhanced
Waiver of Practice Rights Form	Printable

You also may request any desired form, including those not available through the Web site, by contacting the Board's office at (916) 263-3680. ♦

## License Renewal FAQs

**Q:** My firm tracks the continuing education courses completed by each of its CPA employees. Do I have to copy my CE information on to the CE Reporting Form included with my renewal form, or can I just attach a print-out of my employer's tracking form?

**A:** For ease of reporting, you may report your CE on your own form as long as it contains the same information requested on the CE Reporting Worksheet (Part C of the renewal form).

**Q:** I reported my CE on my CE Reporting Worksheet. Do I also need to attach the certificates of completion for the completed courses?

**A:** No. Licensees don't need to attach certificates of completion to the renewal form. However, you should retain the certificates of completion for professional conduct and ethics courses for a period of six years following license renewal. Retain documentation of all other CE for four years. The Board audits a percentage of license renewals and will contact those licensees by letter to request that they mail in their certificates of completion for verification of their reported CE.

**Q:** I am licensed by the Board and recently moved. Am I required to report my change of address to the Board?

**A:** Yes. Section 3 of the California Board of Accountancy Regulations requires licensees to notify the Board within 30 days of a change in the address of record. The notification must be in writing and signed by the licensee. To help you notify us, look on the inside back cover of *Update* for a Change of Address form, or go to [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba) and click on the Forms/Publications icon at the top of the Home Page.

The Board sends license renewals and official correspondence to a licensee's address of record. The address of record is public information, and it may be the licensee's primary place of employment, residence, post office box, or mail drop. However, if a post office box or mail drop is used, the licensee also must provide the street address of the licensee's primary place of employment or residence under "Other Address." The "Other Address" is not public information.

**Q:** Does the Board issue a receipt or verification that shows that my license renewal has been processed?

**A:** Yes. The CBA issues licensees a pocket identification six to eight weeks after the license renewal has been received. The license status is also available on License Lookup at the Board's Web site. The license status will show "renewal in process" until the renewal has been processed, at which time the status will change to "Clear." An inactive license status will show as "Inactive."

# A Brief Profile of the Public Accountant License

By Larry Knapp, Supervising Investigative CPA

Some CPAs, especially those who recently received their licenses to practice, are not aware there are currently two licenses that enable an individual to practice public accountancy in California: a Certified Public Accountant and a Public Accountant (PA). What are the similarities – and the differences – between the CPA and PA licenses?

A Public Accountant is a person who received a certificate of public accounting from the Board under the 1945 Accountancy Act. Public Accountants who practice public accountancy are subject to the same continuing education requirements and adhere to the same rules of the profession as Certified Public Accountants. Further, a Public Accountant can perform the same public accountancy services, as defined under Business and Professions Code Section 5051, as a Certified Public Accountant.

The first PA licenses were issued to those applicants who demonstrated experience in public accounting and had met certain educational requirements. Between 1945 and 1968, the Board issued 24,652 Public Accountant licenses. Since 1968, no new Public Accountant licenses have been issued.

Currently, there are 444 California Public Accountant licensees, of which 198 are in an active status with practice rights. As the Public Accountant licenses expire or are cancelled, under current law, California eventually no longer will have individuals with the Public Accountant license.

As a matter of historical interest, PA licensees have seen the greatest amount of change in the manner in which their profession has been licensed and regulated in California. ♦

## Information

Each issue of *Update* contains important information about the public accounting profession, including notices of proposed hearings on regulation changes, Board and committee meetings, proposed new regulatory language, and topical information about enforcement, examination, licensure, and continuing education issues. For ease of reference, we suggest that after you receive and read *Update*, you place these issues in your professional library. For your convenience, all issues of *Update* since 1998 also are posted on our Web site at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba).



## Enforcement FAQ

**Q:** I am the sole proprietor of a small accounting firm that provides primarily compilation and tax preparation services. I recently registered a fictitious name for my firm with the city and county where I practice. Do I also need to register the fictitious name with the Board, and is there a fee?

**A:** If a CPA or a PA wants to practice public accountancy with a name other than the name by which he or she holds a license to practice, under Business and Professions Code Section 5060, a fictitious name application must be approved by the Board before the name can be used. You can obtain the form by e-mailing your request to [licensinginfo@cba.ca.gov](mailto:licensinginfo@cba.ca.gov), or by calling the Board at (916) 263-3680. There is no fee to register a fictitious name.

## Meeting your PC&E Course Requirement

Since January 1, 1998, Professional Conduct and Ethics (PC&E) continuing education has been required every six years for all active license renewals. This eight-hour course provides information on the provisions of the current Accountancy Act, the Board of Accountancy regulations, and other rules of professional conduct.

The PC&E requirement is being phased in over a six-year period. According to the timetable, one-third of the licensee population will meet the requirement in a specified two-year period, based on the last two digits of their CPA/PA license number.

- Practitioners whose license number ends in the "01-33" range must have completed the initial PC&E course by their license renewal date in 1998 or 1999, as applicable.

- Those whose license number ends in the "34-66" range must have completed the PC&E requirement by their license renewal date in 2000 or 2001, as applicable.
- Licensees whose license number ends in the "67-00" range must meet the PC&E requirement by their license renewal date in 2002 or 2003, as applicable.

Please remember that only Board-approved courses satisfy the requirement.

A current list of Board-approved courses is available on the Board's Web site at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba). This list is also available by faxing a request to (916) 263-3672, e-mailing a request to [renewalinfo@cba.ca.gov](mailto:renewalinfo@cba.ca.gov), or telephoning the Board's renewal staff at (916) 263-3934. ❖

## Regulation Notice

### TITLE 16. CALIFORNIA BOARD OF ACCOUNTANCY

NOTICE IS HEREBY GIVEN that the California Board of Accountancy is proposing to take the action described in the Informative Digest. Any person interested may present statements or arguments orally or in writing relevant to the action proposed at a hearing to be held at the Embassy Suites, 150 Anza Boulevard, in Burlingame, CA 94010 at 2:00 p.m., on July 25, 2003. Written comments, including those sent by mail, facsimile, or e-mail to the addresses listed under Contact Person in this Notice, must be received by the California Board of Accountancy at its office no later than 5:00 p.m. on July 22, 2003, or must be received by the California Board of Accountancy at the hearing. If submitted at the hearing, it is requested, although not required, that 25 copies be made available for distribution to Board members and staff. The California Board of Accountancy, upon its own motion or at the instance of any interested party, may thereafter adopt the proposals substantially as described below or may modify such proposals if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person designated in this Notice as the Contact Person and will be mailed to those persons who submit written or oral testimony related to this proposal or who have requested notification of any changes to the proposal.

Authority and Reference: Pursuant to the authority vested by Sections 5010, 5027, 5092, 5093, and 5095 of the Business and Professions Code and to implement, interpret or make specific Sections 5023, 5026, 5027, 5028, 5051, 5087, 5088, 5092, 5093, and 5095 of the Business and Professions Code, the California Board of Accountancy is considering changes to Division 1 of Title 16 of the California Code of Regulations as follows:

#### INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

##### 1. Amend Sections 12 and 12.5 of Title 16 of the California Code of Regulations.

Business and Professions Code Section 5010 authorizes the Board to adopt, amend, or repeal such regulations as may be necessary for the orderly administration of the Accountancy Act. Business and Professions Code Section 5092 and 5093 establish the requirements for licensure by the California Board of Accountancy and authorize the Board to adopt regulations as necessary to implement those sections.

Current Section 12 specifies the general experience requirements for licensure under Business and Professions Code Sections 5092 and 5093, and current Section 12.5 specifies the attest experience requirements under Business and Professions Code Section 5095.

This proposal would revise Sections 12 and 12.5 to clarify that the CPA providing services to the applicant's private industry, government agency, or other non-public accounting employer cannot verify the applicant's experience. This proposal would also add a definition of what it means to supervise an applicant's experience.

The objective of this proposal is to clarify the requirements for supervision and verification of a licensure applicant's experience.

##### 2. Amend Sections 87, 87.1, and 90 of Title 16 of the California Code of Regulations.

Business and Professions Code Section 5026 mandates continuing education for licensees of the California Board of Accountancy and Section 5027 requires the Board to adopt regulations specifying continuing education requirements.

Current Section 87 specifies basic continuing education requirements. Current Section 87.1 specifies requirements for conversion to active status prior to renewal. Current Section 90 specifies exceptions and extensions related to continuing education requirements.

This proposal would amend Section 87 to add a requirement that licensees who do accounting and auditing, including government audits, complete eight hours of continuing education in detecting fraud affecting financial statements or reporting on financial statements. This proposal also makes a comparable change to the requirements for conversion to active status prior to renewal in current Section 87.1. In addition, a provision is added to Section 90 to provide for an extension related to fraud detection continuing education. This extension is comparable to the extension in current Section 90 related to accounting and auditing and governmental audit continuing education.

The objective of this proposal is to better prepare licensees to detect fraudulent activities during the course of the audit.

*(Please see Regulation Notice, continued on page 16)*

**FISCAL IMPACT ESTIMATES**

Fiscal Impact on Public Agencies Including Costs or Savings to State Agencies or Costs/Savings in Federal Funding to the State: None.

Nondiscretionary Costs/Savings to Local Agencies: None.

Local Mandate: None.

Cost to Any Local Agency or School District for Which Government Code Section 17561 Requires Reimbursement: None.

Business Impact:

The California Board of Accountancy has made an initial determination that the proposed regulatory action would have no significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

AND

The following studies were relied upon in making that determination: None.

Impact on Jobs/New Businesses:

The California Board of Accountancy has determined that this regulatory proposal will not have any impact on the creation of jobs or new businesses or the elimination of jobs or existing businesses or the expansion of businesses in the State of California.

Cost Impact on Representative Private Person or Business:

The California Board of Accountancy is not aware of any significant cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

Effect on Housing Costs: None

**EFFECT ON SMALL BUSINESS**

The California Board of Accountancy has determined that the proposed regulations would affect small businesses.

**CONSIDERATION OF ALTERNATIVES**

The California Board of Accountancy must determine that no reasonable alternative which it considered or that has otherwise been identified and brought to its attention would either be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposal described in this Notice.

Any interested person may present statements or arguments orally or in writing relevant to the above determinations at the above-mentioned hearing.

**INITIAL STATEMENT OF REASONS AND INFORMATION**

The California Board of Accountancy has prepared an initial statement of the reasons for the proposed action and has available all the information upon which the proposal is based.

**TEXT OF PROPOSAL**

Copies of the exact language of the proposed regulations and of the initial statement of reasons, and all of the information upon which the proposal is based, may be obtained at the hearing or prior to the hearing upon request from the California Board of Accountancy at 2000 Evergreen Street, Suite 250, Sacramento, California 95815.

**AVAILABILITY AND LOCATION OF THE FINAL STATEMENT OF REASONS AND RULEMAKING FILE**

All the information upon which the proposed regulations are based is contained in the rulemaking file which is available for public inspection by contacting the person named below.

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California Board of Accountancy

You may obtain a copy of the final statement of reasons once it has been prepared, by making a written request to the contact person named below or by accessing the Web site listed below.

## CONTACT PERSON

Inquiries or comments concerning the proposed administrative action may be addressed to:

Name: Aronna Granick  
Address: California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815

Telephone No.: (916) 263-3788  
Fax No.: (916) 263-3675  
E-Mail Address: [regcomment603@cba.ca.gov](mailto:regcomment603@cba.ca.gov)

The backup contact person is:

Name: Mary Crocker  
Address: California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815

Telephone No.: (916) 263-3940  
Fax No.: (916) 263-3675  
E-Mail Address: [regcomment603@cba.ca.gov](mailto:regcomment603@cba.ca.gov)

Inquiries concerning the substance of the proposed regulations may be directed to Aronna Granick at (916) 263-3788.

Web site access: Materials regarding this proposal can be found at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba).

## TEXT OF PROPOSAL

### Section 12. General Experience Required Under Business and Professions Code Sections 5092 and 5093.

(a) In order to meet the experience requirement of Section 5092 or Section 5093 of the Business and Professions Code, experience must be supervised by a person holding a valid license or comparable authority to practice public accounting as specified in subdivision (d) of Section 5092 or subdivision (d) of Section 5093.

(1) To supervise an applicant's experience, the supervisor must directly oversee and inspect the applicant's performance of the services described in subsection (b). This must include personal, ongoing communication between the supervisor and the applicant regarding the applicant's performance of the services described in subsection (b).

(2) Experience shall be verified by the person supervising the experience and by a second person with a higher level of responsibility in the firm or agency. If the experience is obtained in public accounting, the second person signing the verification shall be an owner of the firm holding a valid license or comparable authority to practice public accounting. If the person supervising the experience is also an owner of the public accounting firm, no second signature is required. If the experience is obtained at a private business, no second signature is required if the person supervising the experience is also an owner of the private business.

(3) Experience may not be supervised by a licensee who provides public accounting services to the applicant's non-public accounting employer.

(4) All verifications shall be signed under penalty of perjury.

(b) The experience required by Section 5092 or Section 5093 involves providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills. Qualifying experience may be gained through employment in public practice, industry, or government. Experience acquired in academia is not qualifying.

(c) The experience required by Section 5092 or Section 5093 of the Business and Professions Code may be obtained in full-time or part-time employment provided the total experience completed by the applicant is the equivalent of at least

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two years of full time employment for an applicant qualifying under Section 5092 or at least one year of full time employment for an applicant qualifying under Section 5093. In evaluating an applicant's experience, 170 hours of part-time employment shall be considered equivalent to one month of full-time employment.

(d) An applicant who is applying under Section 5092 or Section 5093 of the Business and Professions Code with experience obtained five (5) or more years prior to application will be required to obtain 48 hours of continuing education in specific areas prescribed by the Board.

(e) An applicant, pursuant to Section 5087 of the Accountancy Act, may be considered to have met the experience requirement of Section 5092 and 5093 if the applicant shows to the satisfaction of the Board that the applicant has been engaged in the practice of public accounting as a licensed Certified Public Accountant in another state for four of the ten years preceding the date of application for a California license.

Note: Authority cited: Sections 5010, 5092, and 5093, Business and Professions Code. Reference: Sections 5087, 5092, and 5093.

### **Section 12.5. Attest Experience Under Business and Professions Code Section 5095.**

(a) To be authorized to sign reports on attest engagements pursuant to Business and Professions Code Section 5095, an applicant for a California Certified Public Accountant license pursuant to Business and Professions Code Section 5087, 5092, or 5093 or holder of an unexpired California Certified Public Accountant license issued pursuant to Business and Professions Code Section 5087, 5092, or 5093 shall show to the satisfaction of the Board that he or she meets the requirements of this section and Business and Professions Code Section 5095.

(1) Some or all of the experience required by Section 5095 and this section may be completed prior to issuance of the California Certified Public Accountant license. Any experience that would be qualifying for purposes of Section 5095 and this section may also serve as qualifying experience for purposes of Section 5083, 5092, or 5093. To be qualifying for purposes of Section 5095 and this section, any experience obtained after issuance of the California Certified Public Accountant license must be obtained while the license is held in active status.

(2) A holder of an active California Certified Public Accountant license may commence signing reports on attest engagements upon receipt of notification from the Board that he or she has met the requirements of this section and Business and Professions Code Section 5095. A holder of an inactive California Certified Public Accountant license may apply under this section, but must convert the license to active status before commencing to sign reports on attest engagements.

(3) An applicant for the California Certified Public Accountant license who has met the requirements of this section and Business and Professions Code Section 5095 may commence signing reports on attest engagements upon license issuance.

(b) In order to meet the attest experience requirements of Section 5095 an applicant for or holder of a California Certified Public Accountant license shall show to the satisfaction of the Board that the applicant has completed a minimum of 500 hours of attest experience. This experience shall include all of the following:

(1) Experience in the planning of the audit including the selection of the procedures to be performed.

(2) Experience in applying a variety of auditing procedures and techniques to the usual and customary financial transactions included in financial statements.

(3) Experience in the preparation of working papers in connection with the various elements of (1) and (2) above.

(4) Experience in the preparation of written explanations and comments on the work performed and its findings.

(5) Experience in the preparation of and reporting on full disclosure financial statements.

(c) In order to be qualifying, experience obtained pursuant to Section 5095 of the Business and Professions Code must be supervised by a person holding a valid license or comparable authority to provide attest services as specified in subdivision (b) of Business and Professions Code Section 5095.

(1) To supervise an applicant's experience, the supervisor must directly oversee and inspect the applicant's performance of the services described in subsection (b). This must include personal, ongoing communication between the supervisor and the applicant regarding the applicant's performance of the services described in subsection (b).

(2) Experience shall be verified by the supervisor and by a second person with a higher level of responsibility in the firm or agency. The verification shall be signed by both persons under penalty of perjury. If the experience is obtained in public accounting, the second person signing the verification shall be an owner of the firm holding a valid license or comparable authority to practice public accounting. If the owner of the public accounting firm signing the verification is also the person supervising the experience, no second signature is required.

(3) Experience may not be supervised by a licensee who provides public accounting services to the applicant's non-public accounting employer.

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(d) In order to demonstrate the completion of qualifying experience, an applicant for or holder of a California Certified Public Accountant license may be required to appear before the Qualifications Committee to present work papers, or other evidence, substantiating that his or her experience meets the requirements of Section 5095 of the Business and Professions Code and of subsection (b) of this section.

(e) The applicant who is applying with attest experience obtained outside the United States and its territories must present work papers substantiating that such experience meets the requirements of subsection (b) and generally accepted auditing standards. Alternatively, the applicant may acquire a minimum of 500 hours of United States experience which meets the requirements of Business and Professions Code Section 5095 and subsection (b).

(f) The applicant who is applying with experience obtained five (5) or more years prior to application may be required to obtain 48 hours of continuing education courses in specific areas prescribed by the Board.

(g) The applicant, pursuant to Section 5087 of the Accountancy Act, may be considered to have met the experience requirement of Section 5095 if the applicant shows to the satisfaction of the Board that the applicant has been authorized to provide attest services as a certified public accountant in another state for four of the ten years preceding the date of application for a California license.

(h) The experience required by Section 5095 may be obtained in full-time or part-time employment.

Note: Authority cited: Sections 5010 and 5095, Business and Professions Code. Reference: Section 5023, 5087, 5092, 5093, and 5095, Business and Professions Code.

### **Section 87. Basic Requirements.**

#### **(a) 80 Hours.**

As a condition of active status license renewal, a licensee shall complete at least 80 hours of qualifying continuing education as described in Section 88 in the two-year period immediately preceding license expiration and meet the reporting requirements specified in subsection (a) of Section 89. A licensee engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code is required to hold a license in active status. No carryover of continuing education is permitted from one two-year license renewal period to another.

#### **(b) Government Auditing Continuing Education Requirement.**

A licensee who engages in planning, directing, conducting substantial portions of field work, or reporting on financial or compliance audits of a governmental agency shall complete 24 of the 80 hours required pursuant to subsection (a) in the areas of governmental accounting, auditing or related subjects. This continuing education shall be completed in the same two-year license renewal period as the report is issued. A governmental agency is defined as any department, office, commission, authority, board, government-owned corporation, or other independent establishment of any branch of federal, state or local government. Related subjects are those which maintain or enhance the licensee's knowledge of governmental operations, laws, regulations or reports; any special requirements of governmental agencies; subjects related to the specific or unique environment in which the audited entity operates; and other auditing subjects which may be appropriate to government auditing engagements. A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (c).

#### **(c) Accounting and Auditing Continuing Education Requirement.**

A licensee who engages in planning, directing, performing substantial portions of the work, or reporting on an audit, review, compilation, or attestation service, shall complete 24 hours of the 80 hours of continuing education required pursuant to subsection (a) in the course subject matter specified in this subsection. Course subject matter must pertain to financial statement preparation and/or reporting (whether such statements are prepared on the basis of generally accepted accounting principles or other comprehensive bases of accounting), auditing, reviews, compilations, industry accounting, attestation services, or assurance services. This continuing education shall be completed in the same two-year license renewal period as the report is issued. If no report is issued because the financial statements are not intended for use by third parties, the continuing education shall be completed in the same two-year license renewal period as the financial statements are submitted to the client.

(d) A licensee who must complete continuing education pursuant to subsections (b) and/or (c) of this section shall also complete an additional eight hours of continuing education in detecting fraud affecting financial statements or reporting on financial statements. This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsection (b) or (c). This requirement applies to licensees who renew their licenses after July 1, 2004.

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~~(d)~~(e) New Licensees.

(1) A licensee receiving an initial CPA license from the California Board of Accountancy shall be required to complete 20 hours of continuing education as described in Section 88 for each full 6 month interval in the initial license period as a condition of active status license renewal.

(2) A licensee engaged in governmental auditing as described in subsection (b) at any time during the initial license period shall complete 6 hours of governmental continuing education as described in subsection (b) as part of each 20 hours of continuing education required for active status license renewal.

(3) A licensee who provides audit, review, compilation, or attestation services as described in subsection (c) at any time during the initial license period shall complete 6 hours of accounting and auditing continuing education as described in subsection (c) as part of each 20 hours of continuing education required for active status license renewal.

(4) If the initial license period is less than 6 full months, there is no continuing education required for license renewal.

~~(e)~~ (f) Out-of State Licensees.

Any person who applies to the Board for a certified public accountant certificate under the provisions of Section 5087, may obtain the Board's approval to engage in the practice of public accountancy under the provisions of Section 5088 subject to the applicant having completed 80 hours of qualifying continuing education within the preceding two (2) years. The Board reserves the right to verify the applicant's continuing education. If a CPA certificate is granted by the California Board of Accountancy, the provisions of subsection ~~(d)~~ (e) shall apply.

~~(f)~~ (g) Failure to Comply.

A licensee's willful failure to comply with the requirements of this section shall constitute cause for disciplinary action pursuant to Section 5100~~(f)~~(g) of the Accountancy Act.

Note: Authority cited: Section 5027, Business and Professions Code. Reference: Sections 5026, 5027, 5028, 5051 and 5088, Business and Professions Code.

**87.1. Conversion to Active Status Prior to Renewal.**

(a) A licensee who has renewed his/her license in inactive status may convert to active status prior to the next license expiration date by (1) completing 80 hours of continuing education credit as described in Section 88, including the professional conduct and ethics course described in Section 87.7, in the 24 month period prior to converting to active status; (2) applying to the board in writing to convert to active status; and (3) completing any continuing education that is required pursuant to subsection (j) of Section 89. The licensee may not practice public accounting until the application for conversion to active status has been approved.

(b) A licensee who, during the 24 months prior to converting to active status, planned, directed, or conducted substantial portions of field work, or reported on financial or compliance audits of a governmental agency shall complete 24 hours of continuing education in governmental accounting and auditing as described in Section 87(b) as part of the 80 hours of continuing education required to convert to active status under subsection (a).

(c) A licensee who, during the 24 months prior to converting to active status, planned, directed, or performed substantial portions of the work or reported on an audit, review, compilation, or attestation service shall complete 24 hours of continuing education in accounting and auditing as described in Section 87(c) as part of the 80 hours of continuing education required to convert to active status under subsection (a).

(d) A licensee who must complete continuing education pursuant to subsections (b) and/or (c) of this section shall also complete an additional eight hours of continuing education in detecting fraud affecting financial statements or reporting on financial statements. This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (b) or (c). This requirement applies to licensees who convert to active status after July 1, 2004.

~~(d)~~ (e) Once converted to active status, the licensee must complete 20 hours of continuing education as described in Section 88 for each full 6 month period from the date of conversion to active status to the next license expiration date in order to fulfill the continuing education requirement for license renewal. If the time period between the date of change to active status and the next license expiration date is less than 6 full months, no additional continuing education is required for license renewal.

~~(e)~~ (f) Once converted to active status, a licensee who engages in financial or compliance auditing of a governmental agency at any time between the date of conversion to active status and the next license expiration date shall complete

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6 hours of governmental continuing education as part of each 20 hours of continuing education required under subsection ~~(d)~~ (e). Continuing education in the areas of governmental accounting and auditing shall meet the requirements of Section 87(b).

~~(f)~~ (g) Once converted to active status, a licensee who engages in audit, review, compilation, or attestation services at any time between the date of conversion to active status and the next license expiration date shall complete 6 hours of continuing education in accounting and auditing as part of each 20 hours of continuing education required under subsection ~~(d)~~ (e). Continuing education in the areas of accounting and auditing shall meet the requirements of Section 87(c).

Note: Authority cited: Sections 5010 and 5027, Business and Professions Code. Reference: Section 5028, Business and Professions Code.

## 90. Exceptions and Extensions.

(a) A renewal applicant may be granted either an extension of time to complete continuing education requirements or an exception from continuing education requirements. Extensions or exceptions may be granted by the Board for the following causes:

- (1) Reasons of health, certified by a medical doctor, which prevent compliance by the licensee;
- (2) Service of the licensee on extended active duty with the Armed Forces of the United States;
- (3) Other good cause.

(b) No extension or exception shall be made solely because of age.

(c) Willful failure of a licensee to complete applicable continuing education within a specified extension of time shall constitute cause for disciplinary action pursuant to section 5100 (f) of the Accountancy Act.

(d) A renewal applicant who has met the requirement of Section 87 (a) and becomes subject to continuing education pursuant to Section 87(b), ~~or (c), or (d)~~ during the last 6 months of a two-year license renewal period shall be granted, upon request, an extension of time of up to 6 months in which to complete the continuing education required by Section 87 (b), ~~or (c), or (d)~~. Continuing education completed pursuant to this extension shall be part of the 80 hours of continuing education required under Section 87(a) for the next two-year renewal period. However, it shall not be part of the 24 hours of continuing education required under Section 87(b) or (c) or the 8 hours of continuing education required under Section 87(d) for the next two-year renewal period.

Note: Authority cited: Section 5027, Business and Professions Code. Reference: Sections 5028 and 5100 (f), Business and Professions Code. ❖

# Future Meetings

July 9, 2003

**Qualifications Committee**  
California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, California 95815  
(916) 263-3680

July 25, 2003

**Board Meeting/  
Committee on Professional Conduct**  
Embassy Suites  
150 Anza Boulevard  
Burlingame, California 94010  
(650)342-4600

August 14, 2003

**Administrative Committee**  
Doubletree Hotel  
2001 Point West Way  
Sacramento, California 95815  
(916) 929-8855

September 19, 2003

**Board Meeting/  
Committee on Professional Conduct**  
Los Angeles

October 22, 2003

**Qualifications Committee**  
Hilton Los Angeles North  
100 West Glenoaks Boulevard  
Glendale, California 91202  
(818) 551-4089

November 14, 2003

**Board Meeting/  
Committee on Professional Conduct**  
Sacramento

November 20, 2003

**Administrative Committee**  
Sheraton Universal Hotel  
333 Universal Hollywood Drive  
Universal City, California 91608  
(818) 980-1212

Board, committee, and task force meetings are open to the public. Licensees are encouraged to attend. As meeting locations become known, they will be posted on the Board's Web site at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba) and also are available by calling the Board's office at (916) 263-3680.

Public notices and agendas are posted to the Web site at least 10 days prior to the meeting.

## Contributors to this Edition of *Update*

Richard Andres  
Patti Franz  
Mary Gale  
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Liza Walker  
Moises Yanez

## Disciplinary Actions and Standard Probationary Terms

When the Board receives a complaint, an investigation is conducted. Information regarding a complaint generally is gathered by staff Investigative CPAs, often accompanied by a licensee's appearance before the Board's Administrative Committee. In some cases, information is gathered by the Department of Consumer Affairs Division of Investigation.

Following this investigation, or for other reasons, a recommendation is made either to close the case for lack of evidence, or to refer the matter to the Attorney General for review and possible preparation of an accusation against the licensee or a statement of issues relating to the applicant.

The Board may revoke, suspend, or impose probation on a license for violation of applicable statutes or regulations. In addition to any case-specific terms of probation, the standard probationary terms include:

- Obey all federal, California, other state, and local laws, including those rules relating to the practice of public accountancy in California.
- Submit within 10 days of completion of the quarter, written reports to the Board on a form obtained from the Board. The Respondent shall submit, under penalty of perjury, such other written reports, declarations, and verification of actions as are required. These declarations shall contain statements relative to respondent's compliance with all the terms and conditions of probation. Respondent shall immediately execute all release of information forms as may be required by the Board or its representatives.
- During the period of probation, appear in person at interviews or meetings as directed by the Board or its designated representative, provided such notification is accomplished in a timely manner.
- Comply with the terms and conditions of the probation imposed by the Board, and cooperate fully with representatives of the Board in its monitoring and investigation of the respondent's compliance with probation terms and conditions.
- Be subject to, and permit a "practice investigation" of the Respondent's professional practice. Such a "practice investigation" shall be conducted by representatives of the Board, provided notification of such review is accomplished in a timely manner.
- Comply with all final orders resulting from citations issued by the California Board of Accountancy.
- In the event Respondent should leave California to reside or practice outside this state, Respondent must notify the Board in writing of the dates of departure and return. Periods of non-California residency or practice outside the state shall not apply to reduction of the probationary period, or of any suspension. No obligation imposed herein, including requirements to file written reports, reimburse the Board costs, or make restitution to consumers, shall be suspended or otherwise affected by such periods of out-of-state residency or practice, except at the written direction of the Board.
- If Respondent violates probation in any respect, the Board, after giving respondent notice and an opportunity to be heard, may revoke probation and carry out the disciplinary order that was stayed. If an accusation or a petition to revoke probation is filed against Respondent during probation, the Board shall have continuing jurisdiction until the matter is final, and the period of probation shall be extended until the matter is final.
- Upon successful completion of probation, respondent's license will be fully restored.

If charges are filed against a licensee, a hearing may be held before an independent administrative law judge who submits a proposed decision to be considered by the Board of Accountancy, or the matter may be settled. The Board may either accept the proposed decision or decide the matter itself. Please note that Board actions reported here may not be final. After the effective date of the Board's decision, the licensee may obtain judicial review of its decision. On occasion, a court will order a stay of the Board's decision or return the decision to the Board for reconsideration.

Copies of the accusations, decisions, and settlements regarding any of these disciplinary actions are available by sending a written request to: California Board of Accountancy, Attention: Disciplinary Actions, 2000 Evergreen Street, Suite 250, Sacramento, CA 95815-3832. Please state the licensee's name and license number, and allow approximately three weeks for each request.



## Disciplinary Board Actions 12/31/02 through 4/25/03

### *Revocation of CPA Certificate*

Name/Board Actions	Cause for Discipline	Code Violation(s) Charged
<b>HAZEN, ROBERT DOUGLAS and NET PROFIT TAX CENTER</b> Danville, CA (CPA 16767 and FNP 1074)  Revocation of CPA Certificate and Fictitious Name Permit, via stipulated decision.  <b>Effective December 31, 2002</b>	Robert Hazen agreed to the revocation of his CPA license and the fictitious name permit issued by the Board for his business, Net Profit Tax Center.  Pursuant to stipulated settlement, and solely for purposes of the Board's proceedings, Robert Hazen admitted that he diverted trust assets to his business and personal accounts and that in so doing, he breached his fiduciary duty and engaged in conduct constituting gross negligence.  Mr. Hazen further admitted that he had repeatedly failed to comply with his duty to respond to trust beneficiaries or their representatives.	Business and Professions Code, Division 3, Chapter 1, §§ 5037(b)(2), 5100(c), (h), and (f). California Code of Regulations, Title 16, § 68.

### Disciplinary Definitions

#### **Accusation**

A formal document that notifies a licensee of the agency's charges against the licensee.

#### **Cost Recovery**

The licensee is ordered to pay the Board certain costs of investigation and prosecution including, but not limited to, attorney fees.

#### **Default Decision**

The licensee failed to file a Notice of Defense or has otherwise failed to request a hearing, object, or otherwise contest the accusation. The Board takes action without a hearing based on the accusation and documentary evidence on file.

#### **Effective Date**

The date the disciplinary decision becomes operative.

#### **Probation**

The licensee may continue to engage in activities for which licensure is required, under specific terms and conditions.

#### **Reinstatement**

A revoked license that is restored, not sooner than one year from the date of revocation, to a clear or inactive status after petition to and approval by the Board. Reinstatement may include probation and/or terms and conditions.

#### **Revocation**

The individual, partnership, or corporation is no longer licensed as a result of a disciplinary action.

#### **Stayed**

The action does not immediately take place and may not take place if the licensee complies with other conditions (such as a probation term).

#### **Stipulation**

The matter is negotiated and settled without going to hearing.

#### **Suspension**

The licensee is prohibited for a specific period of time from engaging in activities for which licensure is required.

#### **Surrendered**

The licensee has surrendered the license. The individual, partnership, or corporation is no longer licensed. The Board, however, may impose discipline against a surrendered license in certain circumstances. Surrender also may require certain conditions be met should the former licensee ever choose to reapply for licensure.

(Please see Disciplinary Actions, continued on page 25)

## Disciplinary Board Actions 12/31/02 through 4/25/03

### *Revocation of CPA Certificate*

Name/Board Actions	Cause for Discipline	Code Violation(s) Charged
<b>MORAN, MAXINE C.</b> Oceanside, CA (CPA 31999)  Revocation of CPA Certificate, via default decision.  <b>Effective April 25, 2003</b>	<p>On January 10, 2003, a Petition to Revoke Probation was filed against Ms. Moran, who has not complied with the terms of probation pursuant to a Proposed Decision No. AL-2000-26.</p> <p>Ms. Moran did not submit written quarterly reports within 10 days of completion of the quarter. Ms. Moran did not pay a \$2,500 administrative fine or comply with an Order of Correction to provide the Board with two copies of a self-selected financial report. Ms. Moran did not appear in person at a probation hearing, after being directed to attend.</p>	Failure to comply with terms of probation.
<b>PADO, GARY F.</b> Sacramento, CA (CPA 49829)  Revocation of CPA Certificate, via stipulated settlement.  <b>Effective March 1, 2003</b>	<p>For purposes of settlement, Mr. Pado admits that on or about May 15, 2002, he pleaded guilty to the felony of conspiracy to commit securities fraud and that the resulting conviction was substantially related to the functions, practices, and duties of a Certified Public Accountant.</p>	Business and Professions Code, Division 3, Chapter 1, § 5100 (a) and (c).
<b>SEIDEL, DONALD J.</b> Sherman Oaks, CA (CPA 8934)  Revocation of CPA Certificate, via proposed decision.  <b>Effective April 25, 2003</b>	<p>On November 16, 1995, Mr. Seidel was convicted on a plea of guilty for a felony (grand theft of property) in Los Angeles Superior Court. The circumstances surrounding the conviction included Mr. Seidel's embezzlement of monies in excess of \$100,000 while acting in a volunteer and fiduciary capacity as an officer of a foundation.</p>	Business and Professions Code, Division 3, Chapter 1, § 5100 (a), (c), (f), (h), and (j). California Code of Regulations, Title 16, Division 1, § 99.

(Please see Disciplinary Actions, continued on page 26)

## Disciplinary Board Actions 12/31/02 through 4/25/03

### *Revocation of CPA Certificate*

Name/Board Actions	Cause for Discipline	Code Violation(s) Charged
<b>THATCHER, DAVID ALAN</b> Rancho Santa Fe, CA (CPA 29949)  Revocation of CPA Certificate, via stipulated settlement.  <b>Effective April 25, 2003</b>	<p>For purposes of settlement, Mr. Thatcher admits that he was convicted of a felony that is substantially related to the qualifications, functions and duties of a Certified Public Accountant and as such has subjected his certificate to discipline.</p> <p>Mr. Thatcher was the President of Critical Path, Inc., from January 2000 to February 2001, during which time he participated in a conspiracy to report false revenues to meet Critical Path's predicted financial results and to mislead Critical Path's auditors. Mr. Thatcher was charged with one count of conspiracy to commit securities fraud and pleaded guilty in a plea agreement before the United States District Court of California.</p>	Business and Professions Code, Division 3, Chapter 1, § 5100 (a).
<b>YEN, FUNG TZYU</b> Alhambra, CA (CPA 37290)  Revocation of CPA Certificate, via default decision.  <b>Effective April 25, 2003</b>	<p>Accusation No. AC-2003-7 includes allegations that Mr. Yen was retained as the CPA for an individual and for the individual's corporations from 1997 to 1999. Mr. Yen prepared fraudulent corporate documents for his client's businesses, naming Mr. Yen as an officer of the client's corporations. Mr. Yen, using the fraudulent corporate documents for identification, opened bank accounts in the name of his client's businesses. From on or about August 1999 to December 1999, Mr. Yen fraudulently transferred \$758,000 from his client's legitimate investment accounts into the fraudulent bank accounts. Mr. Yen controlled the fraudulent bank accounts and withdrew the funds for his own personal use.</p>	Business and Professions Code, Division 3, Chapter 1, § 5100 (c), (j), and (k).

(Please see Disciplinary Actions, continued on page 27)

## Other Board Actions 3/1/03 through 4/25/03

Name/Board Actions	Cause for Discipline	Code Violation(s) Charged
<p><b>BERSINGER, KENNETH and BERSINGER &amp; ASSOCIATES</b> Fair Oaks, CA (CPA 52384 and COR 4735)</p> <p>Revocation stayed, with three years' probation, via stipulated settlement.</p> <p>Mr. Bersinger is required to reimburse the Board \$12,000 for its investigation and prosecution costs.</p> <p>At Mr. Bersinger's expense, an independent CPA, approved by the Board, will provide periodic reports to the Board regarding Mr. Bersinger's practice and will review, prior to issuance, all audits and reviews performed during the probationary period.</p> <p>In addition to the 80 hours of continuing education required for license renewal, Mr. Bersinger shall complete and provide proper documentation of 24 hours of continuing education within the time designated by the Board.</p> <p>Other standard terms and conditions.</p> <p><b>Effective March 1, 2003</b></p>	<p>For purposes of settlement, Mr. Bersinger and Bersinger &amp; Associates admit that they were grossly negligent in their audits of the financial statements of Monarch Youth Homes, Inc. for the years ended December 31, 1998 and 1999. The audits contained extreme departures from Generally Accepted Auditing Standards. The auditor's report and the working papers prepared in support of the auditor's opinion failed to comply with applicable professional standards.</p> <p>Specifically, Mr. Bersinger and Bersinger &amp; Associates failed to modify their audit report for departures from Generally Accepted Accounting Principles and failed to properly plan the audits, obtain sufficient competent evidential matter, and exercise due professional care in the performance of the audits. Further, Mr. Bersinger and Bersinger &amp; Associates were not independent in the performance of the audit engagements.</p>	<p>Business and Professions Code, Division 3, Chapter 1, §§ 5062 and 5100 (c). California Code of Regulations, Title 16, Division 1, §§ 58 and 65.</p>

(Please see Disciplinary Actions, continued on page 28)

## Other Board Actions 3/1/03 through 4/25/03

Name/Board Actions	Cause for Discipline	Code Violation(s) Charged
<b>CHINN, REGAN K. and CHINN ACCOUNTANCY CORPORATION</b> San Francisco, CA (CPA 28084 and COR 1250)	Mr. Chinn pleaded guilty and was convicted of false statements in connection with loan applications in the United States District Court, Northern District of California.	Business and Professions Code, Division 3, Chapter 1, § 5100 (a), (c), (f), (h), (i), and (j).
Revocation of corporate certificate, via stipulated settlement.	Mr. Chinn's actions involved preparing false and fraudulent financial statements in support of loan and credit applications for a client and for himself from federally insured financial institutions, during the periods 1989-1990 and 1993-1994.	
Revocation of Mr. Chinn's individual certificate, revocation stayed with five years' probation, via stipulated settlement.		
Mr. Chinn's license is suspended for one year, beginning with the effective date of the decision.		
Mr. Chinn shall take and pass, with a score of 90 percent or better, a Board-approved ethics examination within the first year of probation.		
Mr. Chinn is required to reimburse the Board \$6,032.53 for its investigation and prosecution costs.		
Mr. Chinn shall comply with the federal order for restitution in the associated federal case.		
Other standard terms and conditions of probation.		
<b>Effective February 3, 2003</b>		

(Please see Disciplinary Actions, continued on page 29)



## Other Board Actions 3/1/03 through 4/25/03

Name/Board Actions	Cause for Discipline	Code Violation(s) Charged
<p><b>OUTFLEET, JENNIFER</b> Fresno, CA (CPA 40892)</p> <p>Revocation stayed, with five years' probation, via stipulated settlement.</p> <p>Ms. Outfleet's license is suspended for a period of five years concurrent with her term of probation.</p> <p>During Ms. Outfleet's probationary/suspension period, she is prohibited from engaging in any activities which require receiving or disbursing funds for or on behalf of any other person, company, partnership, association, corporation or other business.</p> <p>Ms. Outfleet is required to reimburse the Board \$16,108 for its investigation and prosecution costs.</p> <p>Ms. Outfleet is required to comply with procedures provided by the Board regarding notification to clients of her suspension from practice.</p> <p>Other standard terms and conditions.</p> <p><b>Effective March 1, 2003</b></p>	<p>For purposes of settlement, Ms. Outfleet admits the truth of each and every charge and allegation contained in Accusation number AC-2002-16.</p> <p>While a shareholder and while acting as the Chief Financial Officer in an accountancy corporation, Ms. Outfleet embezzled funds and other valuable consideration totaling approximately \$43,000. Ms. Outfleet embezzled these funds from the firm by writing checks to herself, and by using the firm's credit card for unauthorized personal purchases.</p> <p>In order to perpetuate and conceal the embezzlement, Ms. Outfleet posted the transactions in the firm's accounting records in a manner inconsistent with the true nature of the transactions and, in some instances, failed to post the transactions at all.</p>	<p>Business and Professions Code, Division 3, Chapter 1, § 5100 (i) and (j). California Code of Regulations, Title 16, Division 1, § 3.</p>

(Please see Disciplinary Actions, continued on page 30)

## Other Board Actions 3/1/03 through 4/25/03

Name/Board Actions	Cause for Discipline	Code Violation(s) Charged
<p><b>SCHER, ROBERT HOWARD</b> Los Altos, CA (CPA 64585)</p> <p>Revocation stayed, with three years' probation, via stipulated settlement.</p> <p>Mr. Scher is suspended from the practice of public accountancy for six months.</p> <p>Mr. Scher shall complete 80 hours of continuing professional education courses, in addition to the CPE requirement for relicensing.</p> <p>Mr. Scher is required to reimburse the Board \$3,437 for its investigation and prosecution costs.</p> <p>Other standard terms and conditions.</p> <p><b>Effective April 25, 2003</b></p>	<p>Mr. Scher admits he practiced public accountancy in 2000 and 2001 when his certificate was expired, and he failed to meet the continuing education requirements.</p> <p>Mr. Scher was previously issued a citation and ordered to pay a civil fine of \$750 for unlicensed practice during the periods of January 1, 1994, through March 31, 1995, and January 1, 1996, through February 16, 1996. Mr. Scher did not contest the citation, and paid the fine.</p>	<p>Business and Professions Code, Division 3, Chapter 1, §§ 5050, 5051, and 5100 (f). California Code of Regulations, Title 16, Division 1, § 87.</p>
<p><b>VASQUEZ, RAYMOND M.</b> Chula Vista, CA (CPA 27988)</p> <p>Revocation stayed, with three years' probation, via stipulated settlement.</p> <p>Mr. Vasquez is required to reimburse the Board \$4,662 for its investigation and prosecution costs.</p> <p>Mr. Vasquez shall complete a Board-approved ethics examination and shall complete 25 hours of community service.</p> <p>Other standard terms and conditions.</p> <p><b>Effective April 25, 2003</b></p>	<p>For purposes of settlement, Mr. Vasquez admits that he practiced public accountancy during the period from September 1, 1997, to August 28, 2001, while his permit to practice was expired. Mr. Vasquez also admitted that he advertised as a Certified Public Accountant and performed audit and review engagements during this time.</p> <p>In addition, Mr. Vasquez failed to comply with continuing education requirements during the period of September 1, 1997, to August 31, 1999.</p>	<p>Business and Professions Code, Division 3, Chapter 1, §§ 5050 and 5100 (f). California Code of Regulations, Title 16, Division 1, §§ 87 (a), (c), and 89 (c).</p>

# ADDRESS CHANGE FORM

A separate change of address form must be submitted for each license type.

Please Print

## Name of Licensee

Individual (CPA/PA) - Lic. No. \_\_\_\_\_

_____	_____	_____
Last	First	Middle

## Name of Firm

☐ Corporation ☐ Partnership ☐ Fictitious Name License No. \_\_\_\_\_

_____
Firm Name

## Address of Record

*Be advised that your address of record is public information, and all Board correspondence will be sent to this address.*

☐ Home ☐ Business (check one)

_____
-------

Business Name (if different from name above)

_____	_____
-------	-------

Street

☐ Apt. # ☐ Suite # (check one)

_____	_____	_____
-------	-------	-------

City

State

Zip

## Other Address

*Provide a street address if your address of record is a mail drop or a Post Office Box. This address will not be posted on the Web License Lookup.*

☐ Home ☐ Business (check one)

_____	_____
-------	-------

Street

☐ Apt. # ☐ Suite # (check one)

_____	_____	_____
-------	-------	-------

City

State

Zip

## Daytime Phone Number

____	-	____
Area Code		

## Date of Birth

____	____	____
Mo.	Day	Year

I certify the truth and accuracy of all of these statements and representations.

**Signature of Licensee,  
Licensed Partner, or  
Licensed Shareholder** \_\_\_\_\_

Date \_\_\_\_\_

Print your name \_\_\_\_\_

A licensee who fails to notify the California Board of Accountancy within 30 days of a change in his/her address of record may be subject to citation and fine (fines ranging from \$100-\$1000) under the California Code of Regulations, Title 16, Division 1, Sections 3 and 95.2.

The Board maintains a list of all licensees. This list is sold to requestors for mailing list purposes. Check here ☐ only if you do not want your name included on this list. *Please Note: Your name and address of record is public information and can be accessed through our Web site at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba).*

**Mail to:** California Board of Accountancy, 2000 Evergreen Street, Suite 250, Sacramento, CA 95815-3832  
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License Status Check .....	(916) 263-3680
.....	<a href="http://www.dca.ca.gov/cba">www.dca.ca.gov/cba</a>
General Examination Questions .....	<a href="mailto:examinfo@cba.ca.gov">examinfo@cba.ca.gov</a>
.....	(916) 263-3953 or (916) 263-3958
.....	Facsimile (916) 263-3677 or (916) 614-3253
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Certifications .....	(916) 263-3947
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.....	<a href="mailto:fingerprinting@cba.ca.gov">fingerprinting@cba.ca.gov</a>
.....	(916) 263-3947
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.....	(916) 263-3937 or (916) 263-3695
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Renewal for CPA/PA, Partnerships, Corporations, Continuing Education: .....	<a href="mailto:renewalinfo@cba.ca.gov">renewalinfo@cba.ca.gov</a>
.....	(916) 263-3934
.....	Facsimile (916) 263-3672
Web Site Address .....	<a href="http://www.dca.ca.gov/cba">www.dca.ca.gov/cba</a>
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